

TOWNSHIP OF MENTOR
CHEBOYGAN COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Mentor	County Cheboygan
Fiscal Year End March 31, 2006	Opinion Date May 3, 2006	Date Audit Report Submitted to State July 7, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

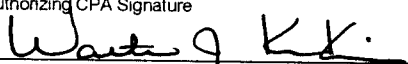
YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Keskine, Cook, Miller & Alexander, LLP		Telephone Number 989-732-7515	
Street Address 100 West First Street		City Gaylord	State MI
Authorizing CPA Signature 		Printed Name Walter J Keskine	Zip 49735
		License Number	

TOWNSHIP OFFICIALS

Supervisor

Patty Mattson

Clerk

Yvonne Rensel

Treasurer

Phyllis Mattson

Trustees

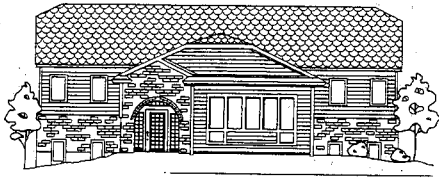
Don Rensel

Denise Leese

MENTOR TOWNSHIP

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Keskin, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Walter J. Keskin, C.P.A.
Jeffrey B. Cook, C.P.A.
Richard W. Miller, C.P.A.
Ronald D. Alexander, C.P.A.
Curt A. Reppuhn, C.P.A.

INDEPENDENT AUDITOR'S REPORT

May 3, 2006

To the Township Board
Mentor Township
Cheboygan County, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Township of Mentor, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Township of Mentor as of March 31, 2006, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2-4 and budgetary comparison information on pages 20-21 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

K. K. Cook, Miller & Alexander LLP
KESKINE, COOK, MILLER, & ALEXANDER, LLP

Patty Mattson, Supervisor
11475 Mentor Townhall Rd
Wolverine Mi 49799
phone 231-525-8778
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email: pmattson@freeway.net

Yvonne Rensel, Clerk
7650 S Straits Hwy
Indian River, Mi 49749
phone 231-238-7897
fax 231-238-7897

Phyllis Mattson, Treasurer
9664 S Straits Hwy
Wolverine MI 49799
phone 231-525-8641

MENTOR TOWNSHIP

Donald Rensel, Trustee
7650 S Straits Hwy
Indian River Mi 49749
phone 231-238-7897

Denise Leese, Trustee
11429 Bilder Rd
Wolverine Mi 49799
phone 231-525-8445

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Mentor Township annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2006. Please read it in conjunction with the financial statements that immediately follow this section.

Financial Highlights

Our financial status remained stable over the last year.

Overall revenues were approximately \$100,000 is classified as general revenues (consisting primarily of state shared revenues and property taxes). Overall expenses totaled \$162,407 for 2006, which is a increase from 2005 due to road surfacing project.

The Township's total taxable value increased by 6.02 percent, from \$22,987,092 in the 2004 tax year to \$24,372,204 in the 2005 tax year.

Overview of the Financial Statements

This annual report consists of three parts, management discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the entity.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities. The remaining statements are fund financial statements, which focus on the detailed activities of the general fund (the only fund of the Township).

The notes to the financial statements explain some of the information in the statements and provide more detailed data. Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

Government-Wide Statements

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities and this is one method to measure the Township's financial health or position.

Over time, increases/decreases in an entity's net assets is an indicator of whether financial position is improving or deteriorating.

To assess overall health of an entity, you may also have to consider tax base changes and other various economic conditions.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's funds. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following kinds of funds:

Governmental Funds: All of the entity's activities are included in one fund, classified in the governmental fund category. This fund is presented on the modified accrual basis, which is designed to show short-term financial information. You will note that differences between the government-wide statements and the fund statements are disclosed to explain the difference between them.

Financial Analysis of the Township as a Whole

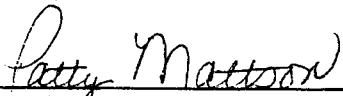
Net Assets - the Township's net assets decreased by \$64,870 during the year ended March 31, 2006 totaling at year-end \$173,732. The negative change in net assets is due primarily to an increased spending during fiscal year 2006 on road maintenance projects completed by the township.

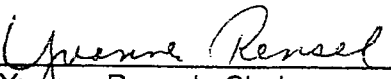
Known Factors affecting Future Operations

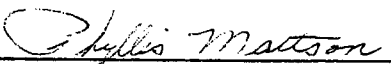
No known items.

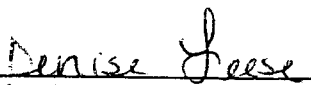
Contacting Township Management

This financial report is designed to provide our taxpayers, creditors and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have questions concerning this report, please contact any member of the Township Board.


Patty Mattson, Supervisor


Yvonne Rensel, Clerk


Phyllis Mattson, Treasurer


Denise Leese, Trustee


Donald Rensel, Trustee

**TOWNSHIP OF MENTOR
STATEMENT OF NET ASSETS
MARCH 31, 2006**

ASSETS

Current Assets:		
Cash and investments	\$	134,275
Property taxes receivable - due from county		2,108
		<hr/>
Total Current Assets		136,383
Non-Current Assets:		
Property, plant and equipment, net		39,945
		<hr/>
Total Assets		176,328

LIABILITIES

Payroll withholding and liabilities	<hr/>	2,596
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NET ASSETS

Invested in capital assets, net of related debt		39,945
Unrestricted		133,787
		<hr/>
Total Net Assets	\$	<hr/> <hr/> 173,732

See accompanying notes to financial statements.

**TOWNSHIP OF MENTOR
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2006**

	<u>P R O G R A M R E V E N U E S</u>				NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
GOVERNMENTAL ACTIVITIES					
Township Administration	\$ (42,987)	\$ 2,230	-	-	\$ (40,757)
Assessing	(9,788)	-	-	-	(9,788)
Building and Grounds	(4,364)	-	-	-	(4,364)
Cemetery	(1,940)	-	-	-	(1,940)
Community Promotion	(2,620)	-	-	-	(2,620)
Fire Protection	(16,798)	-	-	-	(16,798)
Road Repair and Maintenance	(86,356)	216	-	-	(86,140)
Total Governmental Activities	(164,853)	2,446	-	-	(162,407)
GENERAL REVENUES					
Property Taxes					20,198
Property Tax Administration Fee					5,657
State of Michigan Revenue Sharing (not restricted to specific purpose)					52,746
Swamp Tax					11,977
Metro Act Revenue					3,280
Interest Earnings					3,679
Total General Revenues					97,537
CHANGE IN NET ASSETS					(64,870)
NET ASSETS - BEGINNING OF YEAR					238,602
NET ASSETS - END OF YEAR					\$ 173,732

See accompanying notes to financial statements.

TOWNSHIP OF MENTOR
BALANCE SHEET
GOVERNMENTAL FUND
MARCH 31, 2006

ASSETS

Cash and investments	\$ 134,275
Property taxes receivable - due from county	2,108
	<hr/>
Total Assets	136,383
	<hr/> <hr/>

LIABILITIES AND FUND EQUITY

Liabilities:	
Payroll withholding and liabilities	2,596
Fund Equity:	
Fund balance	133,787
	<hr/>
Total Liabilities and Fund Equity	\$ 136,383
	<hr/> <hr/>

See accompanying notes to financial statements.

**TOWNSHIP OF MENTOR
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2006**

TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES (PER BALANCE SHEET - PAGE 7)	\$ 133,787
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Amounts reported for governmental activities in the Statement of
Net Assets (page 6) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not used in the funds	39,945
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TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (PER STATEMENT OF NET ASSETS - PAGE 5)	\$ 173,732
--	-------------------

See accompanying notes to financial statements.

**TOWNSHIP OF MENTOR
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED MARCH 31, 2006**

REVENUES

Taxes and assessments	\$ 32,392
State shared revenues	52,746
Charges for services	7,887
Other revenues	3,280
Interest	3,678
	<hr/>
Total Revenues	99,983
	<hr/>

EXPENDITURES

General government	57,768
Public safety	16,348
Highways and streets	86,356
Cultural	2,620
	<hr/>
Total Expenditures	163,092
	<hr/>

Deficiency of revenues under expenditures	(63,109)
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Fund balance - beginning of year	196,896
	<hr/>

Fund balance - end of year	\$ 133,787
	<hr/> <hr/>

See accompanying notes to financial statements.

**TOWNSHIP OF MENTOR
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2006**

CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS - PAGE 9	\$ (63,109)
Amounts reported for governmental activities in the Statement of Activities (page 6) are different because:	
Depreciation expense is recorded in the government-wide statements but not the fund financial statements	(1,761)
CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES - PER STATEMENT OF ACTIVITIES - PAGE 6	\$ (64,870)

See accompanying notes to financial statements.

**TOWNSHIP OF MENTOR
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
MARCH 31, 2006**

	ASSETS	
Cash		\$ -
		<hr/>
	LIABILITIES	
Due to Other Governments		-
		<hr/>
	NET ASSETS	
Net Assets Held in Trust for Other Governments		\$ -
		<hr/> <hr/>

See accompanying notes to financial statements.

**TOWNSHIP OF MENTOR
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE 1: ENTITY

The Township of Mentor, organized in 1882, is a general law township of the State of Michigan, located in Cheboygan County. It operates under an elected board and provides service to its residents in many areas including law enforcement, community enrichment, and human services. The criteria established for the reporting entity's financial statements include oversight responsibility, scope of public service and special financing relationships. On this basis, the financial statements include all of the governmental functions of Mentor Township.

JOINT VENTURE

The Wolverine Joint Fire Board is a joint venture created November 9, 1999 by Ellis, Mentor, Nunda & Wilmot Townships, Cheboygan County, Michigan. The Wolverine Joint Fire Board is organized under PA 7 of 1967 and PA 365 of 1982 of the Michigan Compiled Laws. The board was organized to better serve the citizens of the townships and the Village of Wolverine. An individual township may withdraw from the agreement with a 12-month prior notice. The agreement expires April 1, 2010 and may be renewed, revised or cancelled by a separate majority vote of the townships participating at that time.

The Department is under the control of a Board consisting of two members from each Township and a member residing in the Village of Wolverine. Each township appoints two Board members and an at large member is selected from the Village of Wolverine. The Board's duties are to oversee operations, maintain assets, and communicate with the Fire Chief and their respective municipal boards.

Funding for the Fire Board's operations is largely provided by an assessment to each township approximately equal to a 1 mill levy on the taxable value of the geographical area covered. The Joint Fire Board's boundaries include all of Wilmot and Nunda Townships and parts of Mentor & Ellis Townships.

The Wolverine Joint Fire Board is audited under separate cover. Financial statements can be obtained at the Mentor Township hall.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Mentor Township are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities.

**TOWNSHIP OF MENTOR
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The accounting policies of Mentor Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities.

Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. At this time, the Township has no business-type activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

TOWNSHIP OF MENTOR
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major governmental fund:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state revenue sharing and other inter-governmental revenues.

Other Funds

Fiduciary Funds - These funds are used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments. Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

TOWNSHIP OF MENTOR
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2005, are recorded as revenue in the current year. The Township's taxable value for the 2005 tax year totaled \$24,372,964.

The tax rates for the year ended March 31, 2006, were as follows:

PURPOSE	RATE/ASSESSED VALUATION
General	0.8293 mills per \$1,000

BUDGET

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. No over expenditures occurred for the year ended March 31, 2006.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional and activity basis. The approved budgets of the Township for these budgetary funds were adopted on an activity level. Budgets as adopted end on March 31 of each year. There are no carryover budget items.

**TOWNSHIP OF MENTOR
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	25 – 40
Land improvements	10 – 20
Machinery and equipment	5 – 10
Vehicles	5 – 10

Land and construction in progress are not depreciated.

With respect to asset improvements, costs over \$1,000 should be capitalized if:

1. The estimated life of the asset is extended by more than 25%, or
2. The cost results in an increase in the capacity of the asset, or
3. The efficiency of the asset is increased by more than 10%, or
4. Significantly changes the character of the asset, or
5. Other wise, the cost should be expensed as repair and maintenance.

For information describing capital assets, see Note 4.

USE OF ESTIMATES

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governments and, as much, include amounts based on informed estimates and judgements of management with consideration given to materiality. Actual results could differ from those estimates.

NOTE 3: CASH AND INVESTMENTS

Cash consists of bank accounts and certificates of deposit.

**TOWNSHIP OF MENTOR
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

All cash deposits are maintained in financial institutions in Northern Michigan. The Township's deposits are categorized to give an indication of the level of risk

assumed by the Township at fiscal year-end. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the Township or by its agent in the Township's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.

Category 3 – Uncollateralized.

	Bank Balance	1	Category 2	3	Carrying Amount
General	<u>\$ 135,823</u>	<u>\$ 135,823</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,274</u>
Trust & Agency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Deposits: The bank balance of the Township's deposits is \$135,823, all of which is covered by federal depository insurance. The Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those with an acceptable estimated risk level are used as depositories.

**TOWNSHIP OF MENTOR
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE 4: CAPITAL ASSETS

	Balance April 1, 2005	Additions	Disposals	Balance March 31, 2006
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 4,004	\$ -	\$ -	\$ 4,004
Capital assets being depreciated:				
Buildings	51,546	-	-	51,546
Data handling equipment	2,138	-	-	2,138
Land Improvements	9,091	-	-	9,091
Subtotal	<u>62,775</u>	<u>-</u>	<u>-</u>	<u>62,775</u>
Accumulated depreciation:				
Buildings	17,835	1,306		19,141
Data handling equipment	2,138			2,138
Land Improvements	5,100	455		5,555
Subtotal	<u>25,073</u>	<u>1,761</u>	<u>-</u>	<u>26,834</u>
Net capital assets being depreciated	<u>37,702</u>	<u>(1,761)</u>	<u>-</u>	<u>35,941</u>
Net capital assets	<u><u>\$ 41,706</u></u>	<u><u>\$ (1,761)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 39,945</u></u>

Depreciation expense was charged to functions of the Township as follows:

Governmental Activities

Township Administration	\$ 455
Buildings and Grounds	<u>1,306</u>
Total	<u><u>\$ 1,761</u></u>

NOTE 5: CONTINGENCIES

INSURANCE

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters.

The Township participates in the Michigan Township Participating plan, a self insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for

TOWNSHIP OF MENTOR
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

NOTE 5: CONTINGENCIES (CONTINUED)

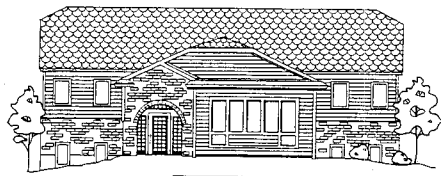
claims for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage.

**TOWNSHIP OF MENTOR
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2006**

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL AMENDED BUDGET</u>
REVENUES				
Local Sources:				
Current taxes	\$ 19,000	\$ 19,000	\$ 20,415	\$ 1,415
Property tax administration fee	5,000	5,000	5,657	657
Swamp tax	11,900	11,900	11,977	77
Interest	2,500	2,500	3,678	1,178
State revenue sharing	53,000	53,000	52,746	(254)
Summer tax collection reimbursement	2,400	2,400	2,230	(170)
Miscellaneous	2,700	2,700	3,280	(580)
Total Revenues	96,500	96,500	99,983	3,483
EXPENDITURES				
General Government:				
Wages:				
Trustee	4,000	4,000	4,000	-
Supervisor	4,800	4,800	4,800	-
Clerk	8,800	8,800	8,800	-
Assessor	8,800	8,800	8,800	-
Board of review	1,000	1,000	630	370
Treasurer	8,800	8,800	8,800	-
Elections	-	-	-	-
Fringe benefits	4,595	4,595	4,597	(2)
Office supplies	3,000	3,000	2,496	504
Postage	200	200	349	(149)
Meetings - per diem	6,300	6,300	4,739	1,561
Legal and professional	200	200	55	145
Communications	100	100	-	100
Travel	2,350	2,350	1,675	675
Education	665	665	310	355
Bonds and insurance	2,900	2,900	2,569	331
Dues	600	600	605	(5)
Office equipment	500	500	-	500
Cemetery contractual	500	500	240	260
Building repairs and maintenance and utilities	5,800	5,800	4,303	1,497
Total General Government	63,910	63,910	57,768	6,142
Public Safety -				
Fire protection	20,000	20,000	16,348	3,652

TOWNSHIP OF MENTOR
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Highways and Streets	93,000	93,000	86,356	6,644
Social Welfare	3,000	3,000	2,620	380
Total Expenditures	179,910	179,910	163,092	16,818
Excess (Deficiency) of Revenues over Expenditures	(83,410)	(83,410)	(63,109)	20,301
Fund Balance:				
Beginning of year	196,896	196,896	196,896	-
End of Year	113,486	113,486	133,787	20,301



Keskin, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Walter J. Keskin, C.P.A.
Jeffrey B. Cook, C.P.A.
Richard W. Miller, C.P.A.
Ronald D. Alexander, C.P.A.
Curt A. Reppuhn, C.P.A.

May 3, 2006

To the Township Board
Township of Mentor
Cheboygan County, Michigan

We have audited the financial statements of the Township of Mentor for the year ended March 31, 2006, and have issued our report thereon dated May 3, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 1, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Township of Mentor. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Mentor are described in the notes to the financial statements.

We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. The following attached pages summarize the adjustments that were proposed to management and made to the audited financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

The Township of Mentor's accounting records were well organized and we are happy to report that there were no difficulties in performing the audit.

Comments and Recommendations

In planning and performing our audit of the financial statements of the Township of Mentor, we considered the Township's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit procedures, we became aware of certain matters that represent opportunities for strengthening internal controls and operating efficiency. The following comment and recommendation should be implemented to the extent possible in order to strengthen internal controls and operating efficiency.

- In November of 2005 a bank account with First Federal of Northern Michigan was closed by the Township. The State of Michigan mandates that all opening and closing of any bank account be approved by the Board. It is understood that this was discussed and approved by the Board; however it was not documented in the Board meeting minutes reviewed in conjunction with the audit. Documentation in the minutes is the best way to substantiate approval by the Board. It is our recommended that in the future all opening and closing of bank accounts approved by the Board be documented in the minutes.
- It was discovered during the audit that there is not a signed contract between the Township of Mentor and Wolverine Joint Fire Board. It is understood that there is an agreement between the Township and the Fire Board. It is our recommendation that the Township obtain a signed contract outlining the specific items currently in place between

the Township of Mentor and the Wolverine Joint Fire Board.

We hope you find the above comments and recommendations useful. We are available to assist you in implementing these items should the need arise.

This information is intended solely for the information of the Township of Mentor's Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Keskine, Cook, Miller & Alexander LLP". The signature is stylized and cursive.

Keskine, Cook, Miller & Alexander LLP

Adjusting Journal Entries
MENTOR TOWNSHIP
March 31, 2006

AJE No.	Account Description	W/P Ref	Account Number	Debits	Credits
1	Accumulated Depreciation	K-1	300-000-150		1,761.00
1	Dep Exp - bldg and grds		300-000-980.1	1,761.00	
GASB 34 Entry					
2	Accounts Receivable - Property Tax		101-000-019	2,108.34	
2	Municipal Benf		101-000-231	1,678.00	
2	Payroll - FICA		101		632.00
2	MC 714 Payroll		101-000-232		148.00
2	Fund Balance		101-000-390		3,006.34
To adjust 3/31/06 balances to actual					
Totals				<u>5,547.34</u>	<u>5,547.34</u>